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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 12/09/08

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Articles:

1) Six-party talks: Gap remains over codifying nuclear verification protocol

ASAHI (Page 1) (Full)
December 9, 2008

Shinji Inada, Jun Okudera, Beijing

A six-party talks delegation heads meeting to discuss North Korea's denuclearization began at the Diaoyutai State Guesthouse in Beijing on the afternoon of Dec. 8. China, chair of the six-party talks, is expected to present on Dec. 9 to the member countries a draft agreement specifying verification methods and subjects of the nuclear programs the North declared in June. The North has rejected a call from Japan, the United States, and South Korea for putting the sampling of nuclear-related materials into writing. The talks that resumed after a lapse of five months are expected to run into difficulties.

According to a six-party talks source, the session is slated to last three days but it could be extended. Chances are that this is the last six-party meeting for the Bush administration, which will step down in January.

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According to U.S. chief delegate and Assistant Secretary of State Christopher Hill, the members will discuss on the first day: (1) the nuclear programs verification protocol, (2) economic and energy aid to the North, and (3) the nuclear facilities disablement roadmap. Japan's chief envoy and the Foreign Ministry's Asian and Oceanian Affairs Bureau Director-General Akitaka Saiki said after the day's session: "There is a large gap between North Korea and the other five countries over how the programs should be verified."

A South Korean source indicated that a broad agreement has been reached to complete by next March the second denuclearization phase specifying energy aid in return for the disablement, conditioned on codifying the verification protocol. The source also indicated that in talks with the South, the North has agreed to transport to overseas the unused fuel rods to be used for nuclear reactors in the disablement process.

According to a Japan-ROK negotiations source, the North has criticized Japan, which has not joined aid to the country due to the abduction issue, saying that it does not recognize Japan as a member of the talks. At the same time, the North has reportedly agreed to receiving 200,000 tons of heavy fuel oil from Australia and other non-member countries in place of Japan.

2) Japan, China, South Korea to cooperate on Africa policy: First bureau-director-level talks to be held to discuss environment, energy conservation

NIKKEI (Page 1) (Full)
Evening, December 8, 2008

Ken Sato, Beijing

Japan, China and South Korea will cooperate regarding their policies toward Africa. They will hold their first policy talks to look into a joint assistance project for measures on the environment, energy conservation, and the prevention of desertification. Japan has thus far frequently competed with China. However, it has changed that policy to one of cooperation. Though there is a limit to the amount of official development assistance (ODA) funds, the three countries will aim to counter European countries and the U.S., which are making a rapid approach to African countries with an eye on their interests in natural resources.

The three countries will also confirm their policy cooperation at the tripartite summit to be held in Fukuoka Prefecture on December 13. Talks on the 12th will be joined by Foreign Ministry bureau directors. Deputy Foreign Minister Yoshitaka Akimoto will represent Japan. Measures against infectious diseases, such as AIDS, agricultural technology and the nurturing of human resources will also be on the agenda.

Japan and China have pledged to double assistance to African nations. Japan has pointed out problems with China's approach, such as its assistance even to countries whose governing systems have drawn criticism. However, it has become unable to compete with China in terms of boosting the amount of assistance. With more than 40 PERCENT of its foreign assistance going to Africa, China is drawing fire as a neocolonialist power. It intends to learn from Japan, which has been pouring energy also in social assistance, attaching importance to recipient countries' self-supporting efforts. South Korea, which is lagging behind the two countries in terms of

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assistance to Africa, wants to explore measures to catch up with them.

3) Two Chinese ships enter Japanese waters near Senkaku Islets; Government files protest

NIKKEI (Page 2) (Abridged slightly)
December 9, 2008

The patrol boat Kunigami of the 11th Regional Japan Coast Guard Headquarters spotted two Chinese survey ships cruising in waters some 6 km southeast of Uotsuri Island of the Senkaku Islets in Japan's territorial waters at around 8:10 a.m. Dec. 8. The two vessels stayed in Japanese waters for over nine hours in defiance of the Kunigami's warning and left in the evening. The Japanese government was busy filing a protest with China through diplomatic channels.

According to the patrol boat, the two vessels were the 1,100 ton Haijian No. 46 and the 1,900-ton Haijian No. 51 of the China State Oceanic Administration.

Prime Minister Taro Aso last night expressed strong displeasure to reporters, saying: "It is quite regrettable, as it was clearly an intrusion into Japanese territorial waters." Filing a protest with Chinese Ambassador to Japan Cui Tiankai, Administrative Vice Foreign Minister Mitoji Yabunaka demanded that the two Chinese vessels leave the waters in question. Foreign Ministry Asian and Oceanian Affairs Bureau Director-General Akitaka Saiki, who was visiting Beijing for the six-party talks, also lodged a protest with his Chinese counterpart, Vice Foreign Minister Wu Dawei.

Japan, China and South Korea are scheduled to hold in Japan on Dec. 13 their first trilateral summit separate from international conferences. About the incident that occurred days before the landmark event, a high-ranking government official said, "Honestly speaking, the incident is incomprehensible." Speculation has spread among some government officials that the incident might reflect the thinking of Chinese hardliners, such as the military.

With the aim of breaking the impasse in the controversial issue of developing gas fields in the East China Sea, Tokyo and Beijing reached an agreement in June to jointly develop a gas field in the northern area straddling the Japan-China median line. "Discontent is simmering in China about what is agreed upon," said a source close to Japan-China relations. Working-level talks to finalize specific conditions have yet to be set in motion. The latest incident might complicate the matter further.

4) Defense Ministry requests 80 billion to 100 billion yen be included in fiscal 2009 budget for U.S. force realignment

NIKKEI (Page 2) (Full)
December 9, 2008

The Defense Ministry has begun coordination with the Finance

Ministry for incorporating 80 billion to 100 billion yen -- four to five times the amount in the current fiscal year -- in the fiscal 2009 state budget as the cost of the realignment of U.S. forces in Japan. The United States has asked Japan for a greater financial contribution to the planned relocation of U.S. Marines from Okinawa to Guam, which is expected to move into full swing in the next

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fiscal year.

The Guam relocation requires the construction of military housing and other buildings starting in fiscal 2009. Coordination is underway to earmark about 40 billion yen for that.

The demolition of existing facilities for the relocation of Futenma Air Station and the construction of hangers and family housing for the relocation of a carrier-based air wing to the Iwakuni base are projected to cost several tens of billions of yen.

The 2006 basic economic and fiscal policy guidelines specify that the nominal growth rate of defense spending should be held below zero. The Defense Ministry is insisting that part of the realignment cost should be placed under a separate budget framework.

5) Financial bill to clear Diet on Dec. 12; Next regular Diet session to be convened on Jan. 5

MAINICHI (Page 1) (Full)
December 9, 2008

Liberal Democratic Party (LDP) Upper House Diet Affairs Committee Chairman Seiji Suzuki and his Democratic Party of Japan (DPJ) counterpart Susumu Yanase yesterday agreed to take a vote in a full session on Dec. 12 on a bill revising the Financial Functions Strengthening Law to allow the government to inject public funds into local financial institutions. The expectation is that a DPJ-submitted bill will be approved in the House of Councillors by a majority of lawmakers from the opposition parties. The ruling coalition, however, will vote it down and pass its own bill with a two-thirds vote in the House of Representatives. The government and ruling parties then decided to close the current extraordinary session on Dec. 25 and convene the next regular session on Jan. 5.

Meanwhile, the DPJ intends to vote down a bill amending the new Antiterrorism Special Measures Law to extend Japan's refueling mission in the Indian Ocean in a full session of the upper chamber before Dec. 20, when the Lower House can take a second vote on the bill. Therefore, the outlook is that the new antiterrorism legislation will be readopted in the Lower House and it will be enacted next week.

6) Sense of impasse spreading in LDP, with momentum for political realignment waning

MAINICHI (Page 2) (Full)
December 9, 2008

The sharp plunge of public support for the Aso cabinet in opinion polls conducted by press companies has greatly shocked the government and the ruling parties. An executive of the Liberal Democratic Party (LDP) irritatingly said: "We have not carried out politics based on public support." Although mid-ranking and junior party members have criticized Prime Minister Taro Aso, they remain unable to find a viable successor. Momentum for political realignment by veteran lawmakers is also waning. The LDP remains unable to come up with an effective strategy, with an eye on the next House of Representatives election. Meanwhile, Aso is trying to find ways to shore up his political base, as seen from his seeking a meeting this week with former Secretary General Hidenao Nakagawa, who has distanced himself from Aso over fiscal and other policies.

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"There were good responses during his round of visits to isolated

islands. I was disappointed at the cabinet support ratings announced today." Deputy Secretary General Mikio Hayashi, prior to an LDP executive meeting last evening, referred to the prime minister's visit to Kyushu over the weekend. In response, Diet Affairs Committee Chairman Tadamori Oshima said: "You should not mention support ratings." Aso said in the executive meeting: "The responsibility for the steep decline in public support totally rests with me."

Former State Minister for Administrative Reform Yoshimi Watanabe and 23 other mid-ranking and junior party members will discuss today what approach they should take. A key member of this group, though, commented: "It would be rational for the prime minister to take care of Diet deliberations, because he compiled the budget." Some junior members are moving to form a parliamentary group separate from those sharply criticizing the government. As it stands, there is no solidarity in the LDP.

The fact that they remain unable to draw up a post-Aso scenario is cited as one of the major reasons for the lack of unity in the party. They cannot find in the party a post-Aso successor who can lead the party to an election win.

In the latest survey by the Mainichi Shimbun, the support rate of the Aso cabinet fell 15 points to 21 PERCENT. Asked to choose between the Democratic Party of Japan (DPJ) and the LDP, 46 PERCENT picked the DPJ, while 29 PERCENT chose the LDP. If the DPJ wins a sole majority in the next Lower House election, momentum for political realignment will fade away. Veteran lawmakers eager for political realignment, such as Nakagawa, are being pressed to revamp their strategy.

7) Opposition stepping up criticism of Prime Minister Aso

YOMIURI (Page 4) (Slightly abridged)
December 9, 2008

Opposition parties seeking a change in government have strengthened criticism of the administration of Prime Minister Taro Aso, whose public support ratings have plummeted in the polls. Some members of the Democratic Party of Japan (DPJ), the largest opposition party, are calling for submitting to the Diet during the current session a no-confidence motion against the Aso cabinet and a censure resolution against the prime minister. However, other DPJ lawmakers are cautious about such an idea, judging that the party should keep close tabs on the 'self-destruction of the Aso administration,' since the largest opposition party has regarded the next regular session to be convened in January as the main battlefield for Diet debate. The government is expected to present a second supplementary budget for fiscal 2008 to the regular session.

DPJ President Ichiro Ozawa told reporters yesterday in Iwata City, Shizuoka Prefecture:

"The figures mean that the public is suggesting (the prime minister) quit his job if he can't do anything. I think (dissolution of the House of Representatives) could occur early next year."

When asked by a reporter about whether his party would submit to the ongoing Diet session a no-confidence motion against the cabinet or a

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censure motion against Aso, Ozawa just replied: "I think the members in charge will consider it, but (Aso) will not be able to resist public pressure asking him for a vote of confidence."

Tadayoshi Ichida, head of the secretariat of the Japanese Communist Party, pointed out at a press conference: "There is no question as to the submission of a no-confidence motion against the cabinet and prime minister." Social Democratic Party Chairperson Mizuho Fukushima stressed in an outdoor speech in Tokyo: "Why don't we ask the Aso cabinet to resign?"

There is a hard-line argument in the DPJ that the party should speak for the public's voice as stated in opinion polls. Some members have called for submitting a no-confidence motion against the cabinet to

the Lower House and a censure resolution against the prime minister to the Upper House. Their aim is that the move will become the impetus to attract junior lawmakers in the ruling Liberal Democratic Party, who are considering forming a new party, assuming that they will not win in the next Lower House election under Aso's leadership. Secretary General Yukio Hatoyama yesterday told reporters:

"As to the question of whether to submit a no-confidence motion or censure resolution, we need to consider how the extraordinary session should be proceeded in consideration of the situation in which public distrust in the cabinet is growing."

Hatoyama did not deny the possibility of his party presenting such a motion to the Diet.

Many in the DPJ, however, are negative about the submission of a motion, with one member saying:

"It is difficult for even LDP lawmakers who have stepped up anti-Aso movements to vote for a no-confidence motion presented by the opposition. If a no-confidence motion is voted down, it will mean that the Aso cabinet wins confidence. It could eventually rescue the prime minister."

Some DPJ members are concerned about the possibility of being drawn into the vortex of political realignment due to turmoil in the LDP. A senior member of the People's New Party gave the DPJ a warning: "If working on political realignment under the economic slump, the public will criticize the opposition."

8) Aso may find it difficult to demonstrate own policy identity on budget, with bureaucrats distancing themselves from government

YOMIURI (Page 2) (Full)
December 9, 2008

The steep drop in public support for the Aso cabinet is expected to affect work to compile the fiscal 2009 budget. Prime Minister Aso hopes to shore up his administration's political base by demonstrating his own policy identity in the budget-compilation process, but fierce resistance is expected as he loses his political strength.

The focus of attention in the compilation process is on to what extent fiscal disbursements will be increased.

In its guidelines for the compilation of the fiscal 2009 budget, the

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government specified that it will flexibly boost government spending while maintaining the guideline for ceiling on budgetary requests.

In a liaison meeting of the government and the ruling parties yesterday, Aso emphasized the need to maintain a balance, saying: "We must follow the guidelines. But it is also necessary to take steps to deal with the most abnormal economic situation of the century." The emphasis of the need for balance stems from a judgment that a significant increase in government spending, deviating from the structural reform line that has been continued since the Koizumi government, might draw fire from the public.

In the Liberal Democratic Party, however, many members are ratcheting up pressure on the government to augment spending.

A senior party member said: "The compilation of the fiscal 2009 budget is the sole chance for the prime minister to play up his own policy imprint prior to the next House of Representatives election. He should increase expenditures without thinking about fiscal resources." Calls for increasing outlays for public works projects also remain strong in the party. It is uncertain whether Aso will be able to reject such calls from party members.

The government has so far curbed expected natural increases in social security expenses by 220 billion yen a year. Aso has indicated that the government would review this policy, but the

question is where the fiscal resources will come from.

The government and the ruling parties were looking into raising the cigarette tax or reducing the rate of the burden that the unemployment insurance program places on the national treasury. But tobacco farmers, a voting base for the LDP, have raised strong objections. Criticism is also erupting of the proposed reduction in the rate of the burden shouldered by the government due to the deteriorating job market. Under these circumstances, the issue of fiscal resources is unlikely to be resolved easily.

The steep plummet of public support for the Aso cabinet is also casting a pall over bureaucrats' loyalty to Aso.

A senior Finance Ministry official remarked: "LDP members have begun to criticize the government coolly. Frankly speaking, we now find it difficult to be close to the Aso administration." A senior official of the Education, Science and Technology Ministry stated: "Keeping a possible change of government in mind, we have started calling on members of the Democratic Party of Japan."

9) Government, ruling camp start mulling economic stimulus measures costing 20 trillion yen with focus on environment, medical services

YOMIURI (Page 1) (Full)
December 9, 2008

The government and the ruling parties on December 8 started looking into a new set of economic stimulus measures that will require fiscal disbursements worth 15-20 trillion yen over a three-year period starting in fiscal 2008. Their plan is to promote the creation of a basis for growth of the Japanese economy over the medium to long term until it fully recovers, which is expected to take three years, according to Prime Minister Aso. Emphasis will be given to the environment, distribution, and medical services.

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With regard to the environment, the promotion of new forms of energy, including fuel cells and energy-saving measures, will be promoted. In terms of distribution, projects that will lead to a cut in companies' distribution costs, including the improvement of Haneda Airport, ports and harbors, as well as the frontloading of the construction of highways, will be included.

In order to improve the problem of sick persons being refused by one hospital after another, emergency rooms where only basic medical care is provided will be built.

While the second package of economic stimulus measures for the period from August and beyond focused on emergency measures following the financial crisis, the new package will give priority to projects that will lead to the expansion of domestic demand and people's peace of mind over the medium to long term.

The size of projects has yet to be worked out. Given the fact that the additional economic stimulus measures adopted in October cost 5 trillion yen in terms of fiscal spending and 27 trillion yen in terms of project scale, the new set of measures will likely become a major one.

Funding will be drawn from an increased second supplementary budget. PM Aso is expected to decide on the use of funds in the key issue promotion framework in the initial budget for fiscal 2009. Portions of those funds will also be used to fund the new package. When it adopted a basic policy on the compilation of the fiscal 2009 budget on December 3, the government took the position of maintaining the budget request guidelines, while making a decisive response in a separate framework.

10) Decentralization reform panel recommends consolidating central government's local branches involving cutting 34,600 jobs

MAINICHI (Top Play) (Excerpts)
December 9, 2008

Chairman Uichiro Niwa (Itochu Corporation chairman) of the government's Decentralization Reform Promotion Committee on December 8 submitted a second set of recommendations finalizing revisions to the central government's local branches to Prime Minister Taro Aso. The report recommends reducing 34,600 jobs or one third of the total number of 95,836 (as of the end of March, 2008) at 15 branch offices of eight government agencies, by transferring services to local governments and downsizing organizations. It also seeks the consolidation of nine branch offices, including the Land, Infrastructure and Transport Ministry's regional development bureaus and the Agriculture, Forestry and Fisheries Ministry's Regional Agricultural Administration Office, possibly by three years later.

Gist of revisions to central government's local branches

- ? Devolution of power over 116 administrative duties to local municipalities
- ? Cut the number of central government officials working at those local branch offices by 34,600 officials, by transferring them to local municipalities
- ? Set up a new local branch that consolidates regional development bureaus and the Regional Agricultural Administration Office possibly by three years later.
- ? Split the newly established regional government bureau into a

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regional promotion bureau and a regional engineering and construction bureau and place them under the jurisdiction of the Cabinet Office.

? Set up a regional promotion committee for local municipalities to monitor the regional promotion bureau and the regional engineering and construction bureau.

? Keep telecommunications bureaus and the Regional Civil Aviation Bureau in place.

11) Former Prime Minister Nakasone hospitalized

ASAHI (Page 4) (Full)
December 9, 2008

Former Prime Minister Yasuhiro Nakasone, 90, has been admitted to a Tokyo hospital with a broken right arm after falling at his home on the night of Dec. 7. According to Nakasone's office, he remains conscious and he will be hospitalized for about ten days.

SCHIEFFER